

Internal Revenue Service IT Modernization Vision & Strategy



October 2006

IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

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At the IRS, we envision a 21st Century agency with the human capital and technology capabilities to effectively and efficiently collect the taxes owed with the least disruption and burden to taxpayers. This vision drives our efforts to modernize the IT infrastructure.

Letter from Commissioner Mark W. Everson

I am pleased to present this summary of the IRS's Information Technology (IT) Modernization Vision & Strategy (MV&S), which represents a critical milestone in aligning our business priorities to the technology investment decisions of the Agency. We completed the previous vision and strategy for modernizing the IRS in 2000, shortly after a major restructuring of the IRS organization. Since that time, the IRS has steadily improved management processes and demonstrated an ability to deliver systems that have provided improvements in service to the taxpayer and improved our effectiveness as an organization. As our organization has matured, business priorities have evolved, technology has changed, and expectations for funding have changed. In addition, the IRS must adapt to address new challenges in the world.

The MV&S is a next step of our IRS Strategic Plan 2005 - 2009. From that plan, three key strategic goals form the foundation for the IT Modernization Vision & Strategy:

1) improve taxpayer service; 2) enhance enforcement of the tax law; and 3) modernize the IRS through its people, processes, and technology.

Why is this necessary? The IRS collects more than \$2 trillion in revenue every year and is heavily dependent on computer systems, some of which were designed in the 1960s. Limitations inherent in these systems have created complexity and constrained our ability to accomplish our mission. In addition, as our workforce ages, many of the employees who have the knowledge required to maintain and operate this vast collection of systems retire each year. In order to be more responsive to changes in tax law and meet the service expectations of the nation's taxpayers, we simply must improve our technology and processes.

In recent years, the IRS had several independent processes for making investment decisions. The decisions were not always coordinated and did not always reflect our true business priorities. This IT Modernization Vision & Strategy and associated IRS Enterprise Transition Plan reflect a fundamentally different approach to our information technology modernization effort. We have established a genuine partnership across business and IT leadership. We also placed an emphasis on delivering smaller and more frequent incremental releases, leveraging existing systems (or components of existing systems) where appropriate, and taking a unified, portfolio-level view of investments.

I believe the new MV&S is critical to fulfilling our Agency's mission. I'm confident in the direction and investment decisions it sets forth. The MV&S represents the dedication and technical leadership of the many talented individuals who took part in its development while working under one common objective—to position the IRS's IT infrastructure for the future.

I invite you to take a look at the new IRS Information Technology Modernization Vision & Strategy that follows.

Sincerely,



Mark W. Everson
Commissioner

Introduction

In the late 1990s, in response to the Restructuring and Reform Act of 1998 (RRA 98) and other mandates, the IRS revised its mission to:

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

The new mission statement not only described the IRS's role, but also the public's expectations as to how the role should be performed. This mission, which emphasizes a balance between service and enforcement, is best articulated by Commissioner Everson's strategic operating equation for the IRS: "Service + Enforcement = Compliance".

The Modernization Vision & Strategy (MV&S) supports the fulfillment of the IRS mission and strategic goals by establishing a five-year plan that drives information technology (IT) investment decisions and addresses the priorities around modernizing front-line tax administration and supporting technical capabilities. The MV&S leverages existing systems and new development to optimize capacity, manage program costs, and deliver business value on an incremental and frequent basis.

Scope

The MV&S will guide the investment priorities of the Business Systems Modernization program for Fiscal Year 2007 through Fiscal Year 2011. Its initial emphasis is on tax administration at the front-line and on enabling technical capabilities provided by the infrastructure.

The modernization of information technology systems is a long-term, complex challenge involving different types of investments.

Some investments are made to update applications in support of front-line business operations. Across the IRS, the **Business Operating Divisions (BODs)** have defined their application requirements as part of the MV&S. These requirements have been used to establish the core set of high-priority investments included in the vision and strategy. Together, these investments have been characterized in the MV&S as business-driven investments or "**Business Domains.**" Within the first version of the MV&S, the Business Domains addressed are defined as follows:

- Submission Processing
- Manage Taxpayer Accounts
- Customer Service
- Reporting Compliance
- Filing & Payment Compliance
- Criminal Investigation

In this first cycle of the MV&S, the focus was on business-driven investments to deliver value directly to business operations and taxpayers. However, there is a recognition that these investments frequently require further outlays to upgrade infrastructure and security. Four service domains were created to identify and define those requirements:

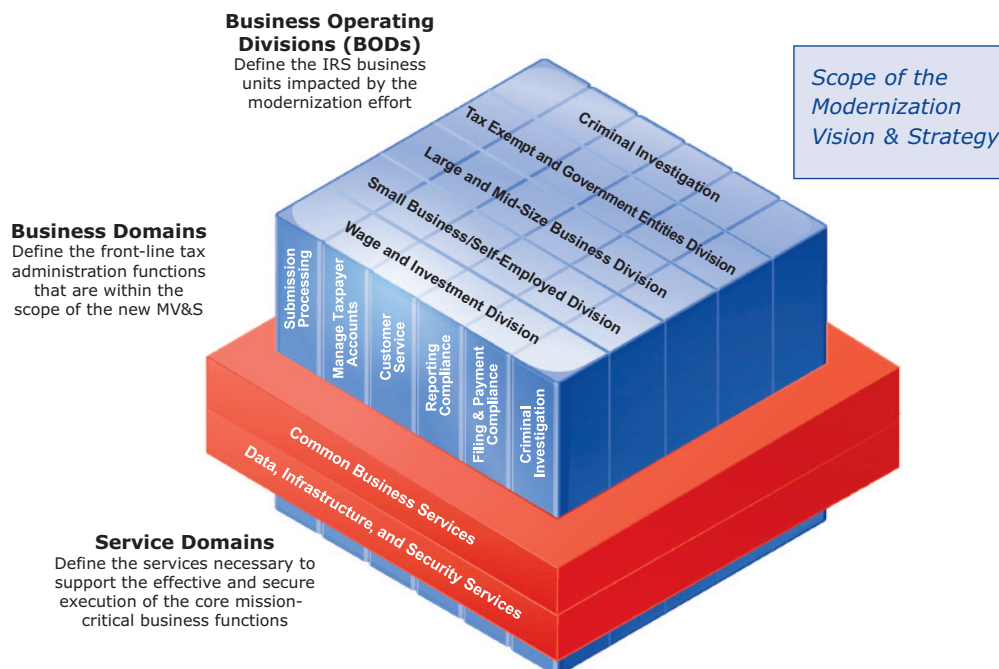
- Data
- Infrastructure
- Security Services
- Common Business Services

Due to time constraints, these domain areas initially focused only on the requirements to support the business-driven applications defined by the other domains. In the next cycle of the MV&S, the IRS will develop a more comprehensive plan for these areas to improve operational performance, reduce operating costs, anticipate or respond to new threats to data and physical security, and sustain a maintainable technology environment.

Future versions of the strategy will address additional domains such as Internal Management and Financial Management.

The new MV&S is not a one-time planning effort. In fact, it represents a new partnership approach to large-scale IT planning at the IRS—one that will be institutionalized in the coming years. The content of the MV&S will be regularly revised to address the full scope of tax administration functions and the changing business priorities.

As depicted in the diagram below, a framework of specific Business Domains and Service Domains define the scope of the Modernization Vision & Strategy.



For each Business and Service Domain, the MV&S defines the goals, benefits, opportunities, and expected business outcomes that will yield the greatest benefit to taxpayers and the IRS. The plan further identifies the specific projects, systems, and investments that will be necessary to achieve the business outcomes for each domain.

Upon full analysis of the domains and their associated project areas, the scope of the MV&S investment portfolio for Fiscal Year 2007 includes the following components (subject to budget approval and Congressional funding):

- Fiscal Year 2007
 - Seven rollover projects from Fiscal Year 2006
 - 19 non-Major new investments
 - Four Major investments
 - Customer Account Data Engine (CADE)
 - Account Management Services (AMS)
 - Modernized e-File (MeF)
 - Private Debt Collection

Business Drivers for IRS IT Modernization

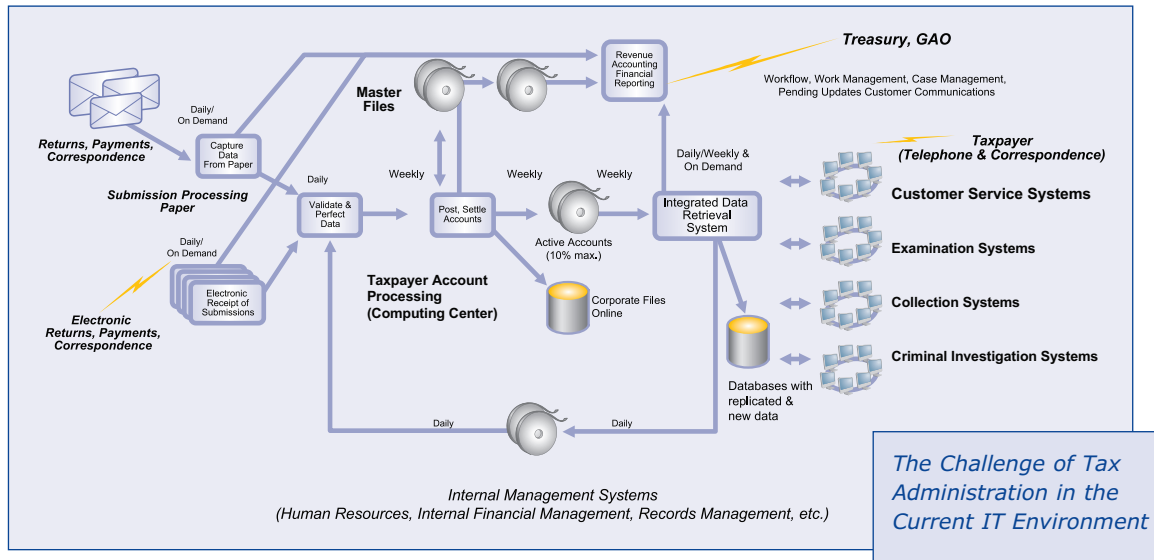
The IRS depends on its information technology systems to deliver its mission, and the nature and characteristics of the IRS mission place very high demands on it. But the limitations of the computer systems have inhibited the IRS's ability to make its business processes more responsive to its mission needs, to Congressional and Executive expectations, and to the desire of taxpayers for better service. Major systems at the core of IRS tax administration were designed decades ago, when computing power was limited and expensive. Our ability to maintain and change systems in response to new laws is inadequate by current standards because of the complexity and constraints of these systems.

The most important systems that maintain all taxpayer records, the Master Files, were developed in the 1960s. The Master Files consist of a series of very large sequential files, one set for individual taxpayers, another for business taxpayers, another for employee pension plans, and yet another for information documents. Some records are extracted weekly from the Master Files tape system and placed on a separate online system, the Integrated Data Retrieval System (IDRS), which is used by most IRS Customer Service Representatives (CSRs) and many other front-line employees. IDRS was created in the early 1970s and provides functionality for querying and updating selected taxpayer accounts. It also provides basic case management functionality to assign cases, track case status, and send notices to taxpayers. Account updates generated by IDRS must be sent to the Master Files for the weekly sequential posting.

The Challenging Technology Environment of the IRS:

- Extremely high volumes
 - Over 130 million individual taxpayers
 - Over 6 million business taxpayers
 - 200 million tax returns every year
 - \$2.1 trillion in receipts, \$1.5 trillion in electronic payments
 - Tax refunds totaling over \$190 billion
 - 1.5 billion information documents every year
 - 46.7 million electronically filed returns
 - 19.2 million combined federal/state returns
- Widely varying inputs from taxpayers, from simple records with just a few fields to very complex documents of many megabytes.
- Seasonal processing with extreme variations in processing load
- Transaction rates on the order of billions per year and storage measured in tens of terabytes (trillions of bytes)
- Critical systems designed in the 1960s

The IRS created many other computer systems in the 1970s, 1980s, and 1990s to meet expanding business requirements and to provide workarounds to the limitations of the Master Files and IDRS. Dozens of specialized systems extract and feed data back and forth through the Master Files and IDRS. Today, over 500 systems support tax administration and IRS internal management.



The delays in weekly updates of the Master File taxpayer accounts, the delays in synchronization of taxpayer data across dozens of systems, the complexity and volume of data, as well as changing tax laws and business rules, all contribute to the challenge of managing in today's IT environment. This environment creates errors that can affect the taxpayer or generate erroneous notices.

The Changing Vision and Strategy for IT Modernization

Since the inception of the Business Systems Modernization (BSM) program in 1999, there have been significant changes in the environment and assumptions around the program, including:

- The original plans for IT modernization were to completely replace the existing IRS IT environment within 10-15 years. Today, with a better understanding of the complexity and challenges of such an approach, the plans focus on more targeted and agile replacement of key IT systems, with an emphasis on leveraging the current IT applications and systems.
- The original assumptions were that sufficient funds would be available to accomplish a complete replacement. Today, IT modernization must be accomplished within a more restricted funding environment, with funding sources used more judiciously. This approach will ensure that IT investment objectives are supported in the IT Modernization Vision & Strategy.
- The original contracting approach, which focused on a PRIME contractor, has been modified for more flexibility with the IRS assuming a key systems integration role.

- The IRS is taking a more proactive stance in managing longer-term issues and risks. For example:
 - The original costing assumptions have been modified to reflect a Total Cost of Ownership approach that adequately addresses Operations and Maintenance (O&M) costs.
 - The need for periodic infrastructure technology refresh is recognized and planned for.

These changes have resulted in the need for a stronger and more unified partnership between the IRS business and IT functions and for a modernization approach that is more flexible, agile, and resourceful.

A New Approach

An IRS-wide commitment to a business/technology partnership led to the new, jointly developed vision and strategy for IT modernization. This joint development effort was co-owned by the IT organization and BOD representatives. In fact, over 80 people—representing major organizations across the Agency—played a substantive role in developing components of this plan.

In addition, the IRS and the Department of Treasury have been aligned and in partnership in building the Enterprise Architecture (EA) foundation for the MV&S. The Business Domains, Common Business Services, and the Data, Infrastructure, and Security Domain are grounded in the EA. The approach has been to architect first, and then determine where to invest. After each investment cycle, the IRS will evaluate and assess each deployment.

The new MV&S reflects a fundamentally different approach to our IT modernization effort.

The primary differences are:

- Joint business and IT leadership and involvement throughout the process
- Unified approach to setting priorities and selecting Major and non-Major investments as an integrated portfolio
- Smaller, incremental releases delivered more frequently
- Existing systems (or components of existing systems) leveraged where appropriate
- A portfolio view of investments—not simply a collection of individual projects
- Comprehensive technical and costing reviews by IRS IT engineers and service providers
- Application of end-to-end costing models to ensure a full view of all costs associated with each project—both initial investment, on-going operations, and maintenance

The MV&S will inform and guide the definition of investment priorities for Fiscal Year 2007 through Fiscal Year 2011. The emphasis will continue to be on front-line tax administration functions and enabling technical capabilities provided by the infrastructure and security.

The two key elements of the Modernization Vision & Strategy are Business Domains and Service Domains.

Business Domains – Core business functions that directly relate to front-line tax administration.

Service Domains – Cross-cutting data, infrastructure, security, and common services that support the Business Domains.

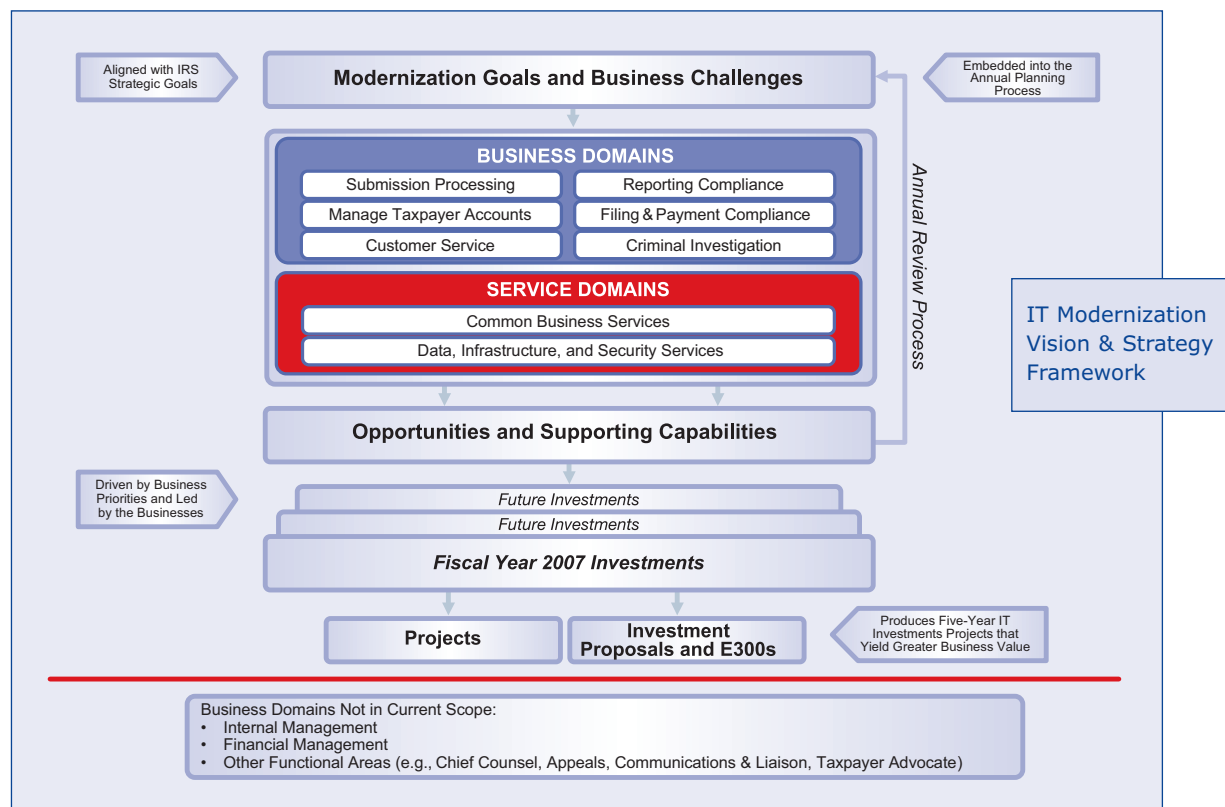
Vision & Strategy Framework

IT Modernization Strategy Framework

The basis of the MV&S begins with a functional segmentation of the IRS. Core business functions that directly relate to front-line tax administration are referred to as Business Domains. These domains reflect a purely functional, rather than organizational, view of the business. They are supported by services necessary to provide for the effective and secure execution of the core mission-critical business functions.

These services are addressed by the Service Domains and include cross-cutting data, infrastructure, and security services, as well as common business functions, which can be leveraged to support business domains.

Within each domain, opportunities have been defined that reflect the priorities that will yield the greatest benefit to taxpayers and the IRS. Due to both budget constraints and limitations in organizational capacity, not all business opportunities are addressed by projects in the Fiscal Year 2007 timeframe. However, they have been captured and may be addressed in future planning cycles as appropriate. The diagram below illustrates the cascading relationship between the IRS strategic direction (defined in the Mission, Vision, Goals, and Business Modernization Vision) and the priorities defined by the Modernization Vision & Strategy.



The following sections describe the opportunities identified as potential candidates for investment during the next three to five years. It may not be possible to complete all of these projects given resource and management capacity constraints. They are presented to show a framework and prioritization for future decision making.

Business Domains

Submission Processing

Definition

The Submission Processing Business Domain, which includes the filing of both paper and electronic tax returns and the initial capture of tax revenues, plays an important role in both service and enforcement. As the first contact point for most taxpayers, public perceptions about service—especially the degree of burden taxpayers face to meet their tax obligations—are established. From an enforcement standpoint, data capture and up-front issue detection and resolution contribute to the effective tax law enforcement.

Opportunities

There are several redesign opportunities being pursued to achieve Submission Processing's goals:

Goals:

- Expand electronic filing to a majority of return types and payments
- Develop systems for processing residual paper returns and payments in a manner consistent with electronic returns

Benefits:

- Simplify the tax return filing and payment experience for all classes of taxpayers
- Reduce taxpayer burden by improving quality, efficiency, and service delivery
- Expand options for electronic filing, payment, communication services, and other automated services

Opportunity	Expected Business Outcomes
Electronic Filing – Expand Filing Options	Expand options for electronic filing to include acceptance of all return types and forms, and to immediately identify problems and allow practitioners to correct individual returns online.
Remittance Processing – Optimize Electronic Payment Options	Expand electronic payment options for all taxpayers, including international, and introduce new service options, such as Stored Value Cards, PayPal, and Western Union.
Remittance Processing – Convert Paper Remittances at Point of Receipt	Convert paper remittances (checks and coupons) to electronic data at point of receipt and provide electronic transmission and viewing of payment data and images to the IRS and Federal Reserve Bank.
Return Processing – Upfront Issue Detection and Resolution	Systematically identify, manage, and resolve issues at the earliest point in the processing stream. Create cases automatically for issues that cannot be resolved systematically. Validations occur in real-time to minimize redundant checks and rework.
Return Processing – Return Validation and Computation	Conduct centralized and systemic return validation and tax computations as early in the process as possible, eliminating unnecessary redundancy and allowing for faster processing of returns and issuing of refunds.
Return Processing – Entity Management	Create one authoritative source to facilitate viewing and managing entity data to ensure consistency and accuracy and eliminate multiple processing.
Return Processing – Convert Paper Returns at Point of Receipt	Convert paper returns to electronic data at point of receipt to be available for downstream activities, including use within the Customer Service, Compliance, and Criminal Investigation domains.

Potential Future Projects and Programs - Submission Processing

Modernized e-File (MeF) Program

The MeF program has developed a modern web-based platform for filing tax and information returns over the Internet via registered Electronic Return Originators (EROs). This system provides a browser-based and application-to-application solution that provides the ERO end-user with more appealing functionality than the existing dial-up system. MeF supports the IRS regulations that require large corporations and tax-exempt organizations at a specific asset threshold to electronically file their tax returns or annual information returns as of January 2006. The IRS uses the MeF infrastructure to process these large filers within its Input Acceptance architecture.

Excise Tax e-File and Compliance (ETEC)

The ETEC project supports the compliance of highway use and fuel excise tax mandated by legislation, The American Jobs Creation Act of 2004 (Public Law 108-357) and the SAFETEA-LU Act (Public Law 109-59). ETEC is funded by the Department of Transportation and is not part of the IRS Investment Portfolio.

IRS ERISA Residual Solution (IERS)

The IRS Employee Retirement Income Security Act (ERISA) Residual Solution explores multi-Agency alternatives to unbundle and possibly eliminate certain Form 5500 schedules for IRS and SSA-specific data.

Modified EO/EP Determination System (MEDS)

MEDS builds on existing infrastructure to provide additional data storage and retrieval of historical records, business rules, and electronic user fee payments, and to provide processing capability for electronic applications received from the Tax Exempt and Government Entities (TE/GE) Application e-Services project.

Remittance Strategy

Remittance Strategy will allow rapidly emerging industry standards (i.e., paper check conversion and check truncation) for remittance processing and will enable the IRS to drive remittance processing volume toward efficient and cost effective electronic payment methods. The paper remittances will be converted to electronic transactions at the IRS field locations, which will eliminate the need to manually transport and process paper checks.

Manage Taxpayer Accounts

Definition

The Manage Taxpayer Accounts (MTA) Business Domain includes the data, systems, and processes used to manage taxpayer accounts. This domain provides critical support to the Submission Processing Business Domain by providing return processing services to post and settle taxpayer accounts. This domain also supports the Customer Service, Compliance, and Criminal Investigation Business Domains by providing the ability to access and update the taxpayer account data necessary to investigate, respond to, and resolve taxpayer account refund and notice inquiries.

Opportunities

The commitment to pursue improvement opportunities within this domain is critical to the success of all IRS programs and serves as key enablers for many of the goals and objectives of the IRS. The opportunities for Managing Taxpayer Accounts to increase access to authoritative and timely account data are:

Goals:

- To standardize taxpayer account issue and case management processes
- To provide on-demand access and the ability to update taxpayer account information in a single authoritative data store

Benefits:

- Authorized users can view and update taxpayer accounts on-demand from a common interface
- The Modernization and Information Technology Services organization will operate with agility when responding to new business requirements by using a Service Oriented Architecture (SOA)—allowing for reuse of services that deliver functionality faster and more efficiently with less complexity and with fewer one-of-a-kind interfaces
- Customer Services' goals for accurate, timely, and accessible data for taxpayers and IRS employees will be achieved
- Submission Processing goals for faster, more agile services will be achieved. Lower processing costs

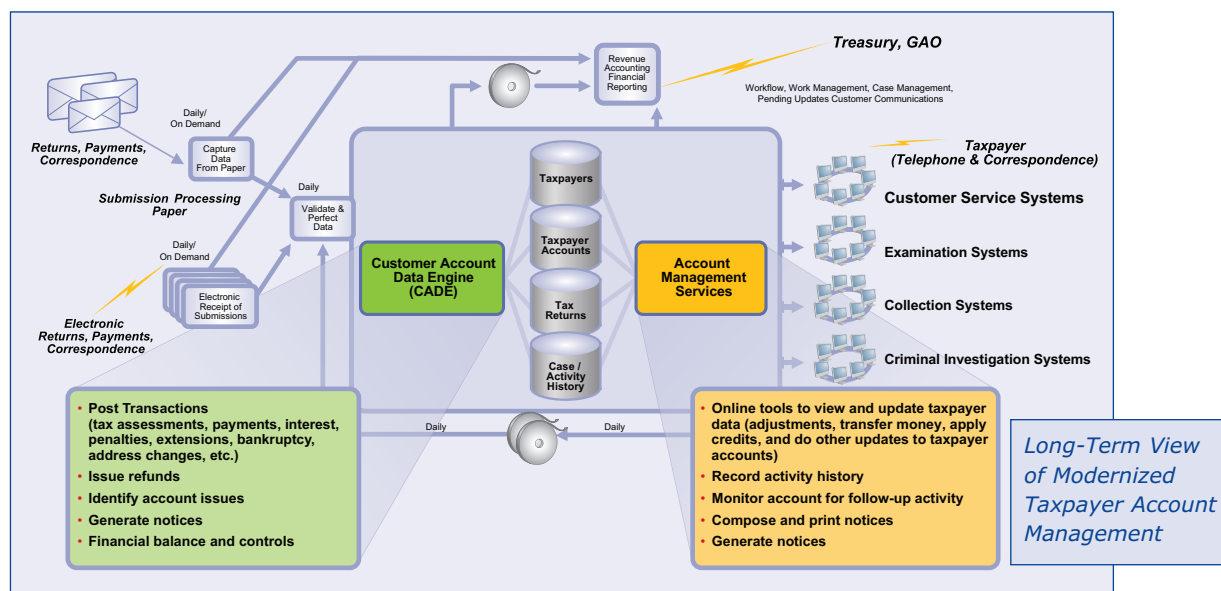
Opportunity	Expected Business Outcomes
Provide immediate access to integrated account data	Customer Service Representatives (CSRs) and other authorized users will use common interfaces and web-based applications to gain immediate access and viewing capabilities for all pertinent taxpayer account information, regardless of where the data resides. This common environment will improve their ability to resolve account inquiries with minimal taxpayer interactions and will facilitate the taxpayer's ability to self-assist or self-correct.
Update taxpayer accounts on-demand and settle accounts daily	Taxpayer accounts are updated and settled daily with all transactions from IRS campuses. Taxpayer accounts can be updated on-demand using transactional data and will trigger immediate updates to the account history. When changes to an account are made, systemic alerts are generated and received by IRS employees. This provides access to timely account information to facilitate the resolution of issues or response to an inquiry.
Online account creation and maintenance	Customers can request new accounts online. Account diagnostics will assess account status, determine necessary actions, and trigger systemic generation of notices or letters based on selected treatment stream(s).
Manage more accounts using the modernized platform (Customer Account Data Engine – CADE)	Building on the current infrastructure, the modernized platform will process more account types with increased business functionality. The modernized platform will accept validated returns and computations and perform complete refund processing. It will also process schedules for Single, Head of Household, and Married, name changes, and split refunds, and will conduct cross-relationship checking. The modernized platform will also expand its 1040 processing capabilities.

Managing taxpayer accounts in the current IT environment presents significant challenges. CSRs work with outdated technologies and business processes that impede productivity and prevent access to comprehensive, timely information. Updates to the Individual Master Files (IMFs) are by weekly batch runs. The Integrated Data Retrieval System (IDRS) was first designed and implemented in the 1970s and later enhanced in 1985. Data entry and retrieval is by code, not business English; lack of familiarity with the codes promotes employee errors. IDRS applications tend to be single function; employees must execute a series of applications to research issues and send transactions to update the Master Files. It takes IRS employees an excessive amount of time to master the system, resulting in increased workloads created by repeat callers, duplicate correspondence, and erroneous notices sent to customers.

The future vision for the Manage Taxpayer Account (MTA) domain includes operating models that address these deficiencies with a combination of changes to organization, processes, and technologies. To provide world-class service, CSRs must be equipped with the tools to access information quickly and accurately in response to complex customer inquiries. Individual assistance will provide this capability from a desktop information system that will enable CSRs to accomplish the following:

- Gather information using new customer relationship management concepts.
- Respond quickly and accurately to customer inquiries.
- Access and update comprehensive, up-to-date account information.
- Use workflow management tools and processes, automatically inform relevant parties throughout the organization of actions taken on a particular customer's account, and manage outstanding cases for follow-up work or to identify the status of a customer inquiry.
- Improve Notice Services by retaining accounts in CADE through notice generation, improve notice-editing capabilities, use customer information proactively, and customize each customer interaction.

CADE and AMS are the foundational systems that will eventually replace the Master File and IDRS systems as shown below:



A very significant change in the MTA domain is the establishment of Account Management Services (AMS) as a major new modernization program. The CADE project is moving more complex taxpayer accounts, including accounts with issues, off the IMF and into a modernized database. To keep these accounts in CADE, the functionality required to manage taxpayer accounts, which is embedded in current systems such as the Integrated Data Retrieval System (IDRS), must be modernized. Projects in the AMS program will build the applications and databases that enable IRS employees to use the data in CADE and quickly and accurately resolve issues. These new capabilities will bring value to the taxpayers that are in the CADE database. AMS will also establish the foundation for major compliance programs by providing the applications that monitor taxpayer accounts and send notices.

Potential Future Projects and Programs – Manage Taxpayer Accounts

Customer Account Data Engine (CADE)

CADE represents the most essential, yet one of the most difficult aspects, of the entire modernization effort. CADE supports daily posting, settlement, maintenance, refunds processing, and issue detection for taxpayer accounts and return data. It will also enable the development of subsequent modernized “back-end” systems, which will allow online data posting in addition to daily batch processing. The strategy for building CADE is to use subsets of taxpayer accounts, beginning with accounts with no open issues, and add population complexity and increased functionality with successive releases of the system. Eventually, CADE will house tax information for more than 200 million individual and business taxpayers and process returns with increased speed. This release strategy enables CADE to be deployed in an incremental manner which controls scope and mitigates risk.

Account Management Services (AMS)

AMS releases will provide functional components synchronized with the CADE development schedule. Several components are coupled with CADE releases to create an Integrated Customer Account Management (ICAM) solution. Other AMS components, such as those related to the Correspondence Imaging System (CIS) and document inventory conversions, will be delivered independent of the CADE schedule.

ICAM/User Interface

User Interface provides a common integrated view for updating taxpayer data (make adjustments, transfer money, apply credits, and perform other updates to a taxpayer account); and includes the development of all AMS broker-based services and migration to the Employee User Portal (EUP).

ICAM/Case Processing and Document Inventory Management

Case Processing and Document Inventory Management will use an enterprise architecture-compliant solution for case processing, business process management, and document inventory management; and includes the conversion and migration of existing document inventories as well as the addition of new inventories.

ICAM/Activity History

Activity History will provide a case history database with broker service-enabled user access; includes the addition of CADE account status information.

Notice Services/Composition and Print Service

The Notice Services component will provide a single notice composition and print solution for accounts on CADE and CPE.

Notice Services/Notice Review

Notice Review will provide the capability to review notices associated with modernized accounts prior to the notices leaving the Service.

Account Monitor

The Account Monitor will provide the functionality to monitor the status, activity, and balance due on taxpayer accounts and automatically trigger follow-up actions, such as sending out a notice or assigning a case. This functionality is required for CADE Release 5 and beyond.

Customer Service

Definition

The Customer Service Business Domain provides tax law and compliance assistance; taxpayer education; and taxpayer account, refund, and notice inquiries. Customer Service assistance is provided through three primary means: Centralized Contact Centers (for phone, written, and electronic inquiries), Self-Service applications (via the phone and Web), and Field Assistance (for walk-in assistance).

Opportunities

It is critical for the IRS to design and produce tangible business outcomes that demonstrate value to the public. The opportunities being pursued to deliver new and improved multi-channel contact capabilities for assisted help and self-service, as well as improved decision support tools, are:

Goals:

- Expand its electronic service capabilities to the tax professional community
- Implement new capabilities targeted directly at the individual taxpayer
- Redirect customer service resources to work complex inquiries requiring one-on-one contact with taxpayers

Benefits:

- Reduce the taxpayer burden, thereby enabling greater voluntary compliance
- Provide improved service levels, customer satisfaction, employee satisfaction, and cost savings through enhanced delivery
- Enable more effective workload distribution, efficient use of staff, and overall Customer Service Representatives' productivity

Opportunity	Expected Business Outcomes
Multi-Channel Contact (for CSR-Assisted Help) – Expand and integrate the communication channels used by the IRS Contact Center and Field Assistance	Employ new technology to expand and integrate the channels used by the IRS to communicate with its customers. In the multi-channel environment, the system will provide automatic authentication for customers while their account data is retrieved for simultaneous presentation to the IRS employee handling the inquiry. Calls will be held in a central queue and routed to the next available agent regardless of location. Workload will be balanced and monitored between contact channels and media.
Self-service Applications (without CSR assistance) – Increase taxpayers' ability to self-assist and self-correct	Make additional self-service applications available via the telephone and the Internet. Natural language search capabilities will reduce the burden of navigating the options within the automated self-service telephone applications.
Self-service Applications (without CSR assistance) – Increase tax professionals ability to self-assist and self-correct	Reporting agents access e-Service products that meet their level of authorized access to taxpayer information. Electronic Account Resolution will be used to work specific Earned Income Tax Credit (EITC) transactions and communications.

Opportunity	Expected Business Outcomes
Self-service Applications (without CSR assistance) – Increase self-service capabilities for Tax Exempt and Government Entities	Customers may establish installment agreements and make payments electronically, and agree to an Offer in Compromise electronically, using rules-based decision support (also included in the Compliance stream).
Enable effective and fast decision making with decision support tools	Automated rules-based tools will be used to research taxpayer issues and answer tax law questions. Complex research tasks will be automated to facilitate repeated use. Automated rules-based tools will be used to research taxpayer issues and answer tax law questions. Complex research tasks will be automated to facilitate repeated use. Rules-based and natural language search technology and internal and public portals will be used to manage and access disparate databases of institutional knowledge. Data warehouses will be developed to facilitate data analysis and extraction without risk of interrupting normal business processing. A common desktop application will be used to capture and manage all taxpayer inquiries.

Potential Future Projects and Programs – Customer Service

Centralized Contact Center Forecasting and Scheduling (CCCFS)

With workload data and patterns, the software determines site-by-site, half-hourly staffing requirements for single or multi-skilled employees by type of contact (phone, e-mail, or correspondence) utilizing user-defined parameters based on historical patterns or desired performance.

Contact Recording (CR) – Release 4

CR is a technology-based solution designed to improve quality and performance feedback. Recording customer/employee interactions for quality purposes is standard practice in private industry. CR will provide the ability to record voice conversations and computer activity during customer contacts and then allow authorized personnel to review the recording. Release 4 is for the Taxpayer Assistance Center (TAC) offices.

Correspondence Imaging System (CIS) – Release 2

The CIS provides Customer Service Representatives (CSRs) and Tax Examiners (TEs) in the Wage & Investment (W&I) Accounts Management campus locations with access to correspondence that has been imaged. Release 2.0 covers the five W&I campuses that were formerly under the Small Business/Self-Employed (SB/SE) organization.

End-to-End Publishing (E2EP)

E2EP will use Documentum to provide fully integrated technology solutions, extending the Virtual Translation Office (VTO) implemented in Release 1A. Release 1B will support and streamline E2EP business processes for the publishing and distribution functions within Media and Publications.

Enterprise Queue

Callers are queued at a virtual, central point and distributed to individual sites as resources become available, thus improving the customer experience. Enterprise Queue also enables callers to hear an announcement stating their approximate wait time.

Internet Customer Account Services (I-CAS)

I-CAS allows taxpayers to securely view account information via the Internet, and provides tools for self-service and self-correct assistance. Taxpayers can view entity, account, and return information; change address; determine a payoff amount; file a Form 4868 (extension of time to file); and complete and sign Form 2848 (disclosure authorization).

Queuing Management System (QMS) FAMIS

QMS allows the IRS to optimize customer flow and improve customer service at Taxpayer Assistance Centers (TACs). It accurately determines taxpayer traffic by capturing data on taxpayer arrival times, the types of service requested, wait times for service and request resolution, and more defined reasons for the contact. It will also allow management to roll up customer service data to the group, territory, area, and national level, providing more accurate reports for data-driven decisions.

Reporting Agents (RA) Access to e-Services

This feature reduces the IRS's and RA's paperwork burden by delivering transcripts and other correspondence via the Internet.

Tax Exempt and Government Entities (TE/GE) Application e-Services

TE/GE, in collaboration with e-Forms and third parties, will provide enhanced functionality to support electronic filing of Exempt Organizations (EO) and Employee Plans (EP) determination applications, including electronic user fees, PIN and electronic signature options, and binary attachments of schedules, attachments, and other supporting documentation.

Reporting Compliance

Definition

The Reporting Compliance Business Domain consists of a set of activities designed to strengthen compliance. These activities seek to identify taxpayers who are not complying with reporting requirements that impact their tax liability or exempt status. The objective of the examination activity is to ensure that the proper amount of tax is reported and paid. This includes verifying return accuracy and establishing that the correct income is reported and that deductions meet Internal Revenue Code requirements. This new direction focuses on several priority areas, including:

- Promotion and use of abusive tax schemes and avoidance transactions
- The misuse of offshore transactions
- The non-filing and underreporting of income by higher income individuals
- Flow-through income

Opportunities

The redesign opportunities for Reporting Compliance are:

Goals:

- Identify, address, and prevent abusive tax schemes
- Discourage and deter noncompliance, with emphasis on corrosive activity by corporations, high-income individuals, and other contributors
- Detect and deter domestic and offshore-based tax and financial criminal activity
- Deter abuse within tax-exempt and government entities and the misuse of such entities by third parties for tax avoidance or other unintended purposes
- Increase the number of taxpayers covered through pre-filing programs
- Increase examination coverage
- Reduce examination cycle time (from issue identification to resolution of examination)
- Provide a work environment that ensures quality and professionalism to enforcement organizations, employees, and taxpayers

Benefits:

- Improve the timely detection and deterrence of non-compliant transactions
- Increase productivity of Reporting Compliance resources
- Improve quality of service provided by Reporting Compliance
- Strengthen enforcement activities
- Reduce errors
- Increase ability to capture and manage intellectual capital of departing employees

Opportunity	Expected Business Outcomes
Enhance planning tools to provide an integrated approach to the development of the Exam Plan	Using data from a variety of sources, the IRS can forecast workload, project staffing and training requirements, centrally control inventory selection and delivery, and fully integrate the workload planning process to maximize the effectiveness of the Reporting Compliance workforce.
Proactively detect and respond to issues and assign cases to the most appropriate treatment stream	Systems will use data from tax returns, historical data, and other information to better identify and select cases and manage tax issues across multiple entities. Automated business rules will determine the most appropriate Reporting Compliance treatment approach to address specific compliance issues and assign work based on the capacity in each treatment function. High-risk cases are prioritized according to pre-determined criteria.

Opportunities

The redesign opportunities for Reporting Compliance are:

Opportunity	Expected Business Outcomes
Leverage technology to enhance processes and provide better resource workload management	Front-line Reporting Compliance employees have the tools necessary to better manage their inventories, provide a fully electronic virtual case folder, allow electronic collaboration among employees in remote locations, and streamline the work process of individual examiners.
Capitalize on technological advances and utilize data to work cases more effectively	Modern technology will reduce the need for redundant data input by front-line examiners by systematically moving data from existing sources, providing access as needed to full customer account information and case files.

Potential Future Projects and Programs – Reporting Compliance

Compliance Data Environment (CDE) and Rules-Based Engine (RBE)

Compliance Data Environment and Rules-Based Engine will deliver new capabilities and functionality for examining returns. Compliance data mart and income tax workload identification and management applications will also be available.

Compliance Support Tools (CST)

CST supports case building and development to refine compliance issues, build human insight and experience into the analysis process, and verify the indication of non-compliance. It supports existing, emerging, and future compliance strategies within Tax Exempt and Government Entities (TE/GE) while aligning with the Service-wide Policy, Directives, and Electronic Research (SPDER) enterprise solution. It facilitates TE/GE-specific compliance activities and provides a common interface to multiple internal and external data sources, allowing compliance staff to aggregate and manipulate data they find throughout the course of their work.

Correspondence Examination Automation Support (CEAS)

CEAS provides the first phases of unattended case processing for discretionary inventories; workload resolution; and issue, document, and inventory management; and integrates with Automated Case Workload Manager (ACWM) for assignment to group-suggested examiner.

Examination Desktop Support System (EDSS)

This system develops a tax computation engine (TCE) for use by SB/SE, W&I, and other IRS Business Operating Divisions (BODs); completes TCE for 1040 family and starts TCE for 1120S.

Inventory Control and IMS Integration (ICII)

This feature allows inventory levels to be managed effectively at the case, return, and non-return level and provides for automated just-in-time review, assignment, and closure of cases. It integrates with current Large and Mid-Size Business (LMSB) systems and monitors inventory against the plan developed in the IMS fiscal planning module.

Risk-Based Scoring and Selection (RBSS)

The Risk-Based Scoring and Selection system applies decision analytics to data on taxpayer characteristics and filing behavior to identify the best possible returns for examination through the correspondence examination program. The system will also be used to determine the best treatment stream for the potential issue. This upgrade represents an enhancement to the existing RBSS system.

RICS Compliance Decision Analytics (RICS-CDA)

RICS-CDA replaces the current RICS system and adds increased processing efficiencies and data. It provides a comprehensive set of tools and capabilities to provide decision support, including the replacement of manual or outdated and incomplete classification processes. Its functionality supports case-building, additional data sets, a compliance data store, and allows for development of automated processes to execute Risk Models for case selection.

Selection and Workload Classification (SWC)

It automates ranking, issue scoring, issue selection, and workload selection capabilities and integrates with existing Compliance Data Environment (CDE) systems such as IMS, LIN Repository, and ICII. SWC uses a business rules-based system to expedite and reduce manual workload management processes and adjust workloads based on near real-time operational information.

Service-Wide Employment Tax Research System (SWETRS)

This system provides for electronic analysis of numerous databases for a taxpayer and computes a score—based on the automated research results—to select employment tax cases. Unlike the current manual workloads identification for employment tax, SWETRS will identify taxpayers based on defined criteria and results from internal and external database searches.

Filing & Payment Compliance

Definition

Filing & Payment Compliance (F&PC) includes collecting delinquent tax obligations and securing delinquent tax returns. F&PC includes the investigation and collection of tax delinquencies (payment and filing) from large and complex businesses by Field Revenue Officers, as well as the resolution of simpler tax issues by Customer Service Representatives in Automated Collection Sites across the country. Through these various activities, this domain supports the Service's overall goal of promoting and increasing voluntary compliance with the tax system.

Opportunities

The investment opportunities being pursued by the Filing & Payment Compliance Business Domain are:

Goals:

- Improve the measurement and detection of non-compliance
- Better allocate enforcement resources
- Leverage enforcement activities with other governmental agencies, external partners, stakeholders, and the media
- Expand the scope and accessibility of services offered electronically
- Deliver modernized systems designed to strengthen collection and other enforcement efforts and to meet taxpayer and practitioner needs and service expectations

Benefits:

- Increase taxpayer reporting, compliance, and revenue
- Decrease collection cycle time and the number of overage cases
- Enable more effective use of staff and overall productivity

Opportunity	Expected Business Outcomes
Expand the use of third-party information for case selection/treatment assignment	Data from external sources will be used to feed analytical models that will help to identify non-filers, prioritize and select cases, determine appropriate treatment streams, and facilitate case resolution by pre-populating information provided to front-line employees.
Implement a more flexible and easily adaptable process to select workload and assign treatment streams	Utilizing data from a number of internal and external sources, models and algorithms will be developed to determine the risk associated with each case. Automated business rules will then assign cases to the most appropriate treatment stream to achieve the best resolution at the lowest cost. Historical results data will help identify trends and adjust the models and business rules accordingly.
Enhance and integrate case management capabilities	Improved systems will allow for better case activity tracking (contact history, treatment, and issues), status, and cycle time to closure. They will allow for more effective assignment, control, and management of inventory across different channels of communication, including the Internet, e-mail, phone, fax, mail, and web-chat.

Opportunity	Expected Business Outcomes
Construct a data asset to associate data sources and allow the development of decision analytics	A comprehensive data repository will allow the association of third-party and tax return information to payment, case disposition results, and treatment activity for each closed collection case, enabling historical analysis of taxpayer segments in order to refine treatment streams.
Expand access to universal case history throughout collection	Provide front-line employees with access to a complete view of the taxpayer's account and interactions across multiple taxpayer data sources, databases, and business lines, including electronic-imaged correspondence, checks, and documents.
Enhance non-filer case identification, prioritization, and delivery through improved processes, data, and technology	Information from a variety of internal and external sources will be used to create analytical models to better identify possible non-filers, evaluate the risk of each case, and prioritize work for assignment to the appropriate compliance treatment stream.
Utilize Private Collection Agencies to resolve delinquent accounts	Private Collection Agencies represent a significant portion of the overall Filing & Payment strategy for the future. Systems will allow for appropriate case identification, secure routing, and control of cases and data to these external partners.

Potential Future Projects and Programs – Filing & Payment Compliance

Filing & Payment Compliance (F&PC) Program

This program is responsible for enhancing the processes and technologies that support the IRS's filing and payment compliance activities in conjunction with other compliance enhancements and initiatives currently underway or planned. The primary focus of F&PC (Release 1) is to commission the private collection industry to assist in collecting delinquent taxes and reducing the size and growth of the IRS's delinquent tax backlog for Tax Delinquent Accounts (TDA) and Taxpayer Delinquency Investigations (TDI). Release 1 of the F&PC program is also referred to as Private Debt Collection (PDC). The current IRS collection processes and systems cannot handle the annual volume of filing and payment compliance cases being generated, resulting in a growing backlog of taxpayer cases. Many of these cases remain unresolved for significant lengths of time because of limited IRS resources available to manage the workload.

Automated Substitute for Return Employee Access (ASFR-EASE)

This project improves integration between ASFR and IDRS by re-writing the ASFR business rules, writing the new rules into a relational-based language such as Oracle, establishing a separate database to store and recall ASFR data, creating a web-based environment for all users, creating a secured system that would allow taxpayers and all Service employees to submit or retrieve relevant data, and by processing all system calls through a new server.

Business Master File Case Creation Non-Filer Identification Program (BMF CCNIP)

This program will create a database to manage BMF case creation inventory. It allows for systemic and ad hoc inventory selections designed to meet business needs, controls volumes to allow for a smooth level of inventory for notice processing, and improves workload selection by incorporating data from IMF and the Payer Master File.

Consolidated Decision Analytics

This project—which builds upon existing tools and best practices—provides a consistent, flexible, and integrated tool for case identification, selection, and assignment. It is entity-based for all BODs and allows for the use of internal and external data, subject matter expert experiences, and computer models for decisions.

Compliance Data Warehouse (CDW) Enhancement

Researchers will be able to use a variety of quantitative techniques (i.e., modeling, data mining) to improve existing workload identification and prioritization algorithms and evaluate alternative treatment streams. They can also extract treatment actions from the Universal Case History (UCH) with corresponding taxpayer result; extract case resolutions and internal and external information; and cross-reference, link, and associate all entity-related data. This enhancement may facilitate a link to the Pre-populated Collection Information Statement (PCIS) and third-party brokers as well as the UCH.

E-Lien

E-Lien provides electronic filing of Notice of Federal Tax Liens (NFTL) and Certificates of Release. NFTL recording data will be received electronically, eliminating the need to process lost lien reports. Filing fees will be paid via electronic funds transfer activity through an interface with IFS to generate the transfer.

Integrated Collections System (ICS) to Windows

This project will improve maintainability and flexibility by allowing conversion of existing Unix-based system to Windows.

Pre-populated Collection Information Statement (PCIS)

PCIS enables the extraction of third-party financial information from various sources to pre-populate financial statements in balance due cases for individuals and businesses. It expands the use of third-party financial information for case identification, selection, assignment, and treatment. This information is brokered to financial statements (433F, 433 A&B) in various systems.

Universal Case History (UCH)

This project enhances desktop integration by expanding access to the activity history for every collection user, including Revenue Officers. Closed case information on treatment actions and resolutions is extracted from UCH to Compliance Data Warehouse (CDW).

Criminal Investigation

Definition

Criminal Investigation is uniquely responsible for enforcing criminal statutes of the Internal Revenue Code and related statutes. Enforcement of the tax law fosters tax compliance to preserve the integrity and equity in the tax system. Identification and investigation of money laundering, narcotics, and counterterrorism also protects the American public from abusive schemes that erode tax and financial infrastructure, the ravages of narcotics, and internal and external terrorist threats.

Criminal Investigation maintains close working relationships with the Department of Justice's Tax Division, offices of the Attorney General, and other law enforcement agencies. The Tax Division maintains responsibility for approving the prosecution of all criminal tax offenses. The offices of Attorney General are the conduit for criminal enforcement efforts through grand jury investigations and the prosecution of both administrative and grand jury cases.

Goals:

- Develop the investigative techniques needed to combat tax evasion, money laundering, and terrorist financing through the use of technologies available today and in the future
- Enable agents to work complex, high-impact cases, achieve consistently high conviction rates, and provide access to current and accurate case inventories
- Streamline processes to aid management reviews and approvals
- Expedite case prosecutions and closures
- Accurately track seized assets and equitable distribution of proceeds

Benefits:

- Improve processing of electronic data related to criminal investigations
- Reduce processing time of criminal-related data items leading to faster prosecution
- Faster identification of criminal activities and increased response time

Opportunities

The identified opportunities for Criminal Investigation are:

Opportunity	Expected Business Outcomes
Enhance management of seized assets, capture full cost of seizure activities, and equitably distribute proceeds	This opportunity includes tracking and managing assets from seizure to sale, including capturing all costs and ensuring equitable distribution of proceeds. Tracking and management assets will also span across enforcement agencies.
Standardize, streamline, and specify processes such as enforcement actions, management approvals, and evidence control	This upgrade includes the improvement of law enforcement activity processes and procedures, including workload management, planning, and scheduling activities for expediting investigations. Senior managers will also receive information on resources and work assignments that would better assist in the management decision making process.
Provide the ability to rapidly identify and respond to the constant change in tax schemes, redirect investigative resources appropriately, and rigorously manage high-impact cases	Enabling this opportunity will allow the IRS to proactively identify and quickly respond to changing tax schemes. This opportunity will also expedite the identification and analysis of electronic data from multiple sources to allow for better case selection and to support investigative priorities.
Proactively identify patterns of illegal activities through data analysis in support of tax law enforcement, counterterrorism, and other high-priority criminal investigations	This opportunity provides the IRS with the ability to identify new patterns of tax fraud and other financial crimes, detect recurring patterns of criminal activity, and predict future criminal activity based upon established patterns and relationships. This opportunity would also broaden Criminal Investigation's (CI's) analytical capabilities by improving access to diverse data sources.

Opportunity	Expected Business Outcomes
Improve efficiencies through the expansion of CI modernized systems and platforms	This improvement enables IT security and platform standards, expansion of investigative tools to identify criminal patterns and activities, support for the mobile needs of agents, and expansion of training to a geographically dispersed workforce.
Receive and analyze high volumes of electronic records in response to summons, subpoenas, warrants, and all other sources	Enabling this opportunity will allow electronic receipt of investigation-related documents, evidence to be gathered quickly and efficiently, indexing and key-word search capabilities, and unified data access to investigative and enforcement data.
Leverage emerging technologies to ensure that digital evidence is used efficiently and to the greatest extent possible in a continually expanding electronic economy	This opportunity will enhance the credibility of CI personnel as trained computer forensic specialists and keep pace with forensic technologies. It will also allow for an infrastructure that is scalable for handling processing, storage, and archival capabilities of digital evidence.
Enhance capabilities to detect tax fraud and prevent erroneous refunds	This enhancement allows for improvements to fraud detection analysis and management for all filings.

Potential Future Projects and Programs – Criminal Investigation

Asset Forfeiture Tracking (AFTRAK)

This project will create the next generation of the AFTRAK system, which is used by CI to manage and track status, inventory, and disposition of assets seized and forfeited in the course of CI investigations. It captures all costs associated with seized assets.

Investigative Data Analytics (IDA)

This program expedites the identification and analysis of electronic data from multiple sources to enhance case selection and support investigative priorities. It develops new techniques to analyze tax data and other public, law enforcement, and financial data and predicts future criminal activity based upon established patterns and relationships.

Investigative Scanning and Document Management (ISDM)

The ISDM project will enable CI to receive, track, and manage all types of documentation generated and received during the course of investigations, ensuring that all documents will become part of the official investigative record. The project will provide the capability for CI's investigative staff to scan paper documents and link them to investigations.

E-Crimes Environment

By developing and implementing a scalable environment, CI will be able to efficiently and reliably process, store, and archive digital evidence.

Electronic Total Investigative System (E-TIPS)

E-TIPS will provide a comprehensive, end-to-end investigation case management capability covering case initiation through case closure. It will standardize information collection and management activities related to CI's criminal investigation business processes.

Service Domains

Common Business Services

Definition

Common Business Services is designed to support rapid, cost-effective delivery of similar business functionality within a business domain or across multiple business domains. This domain includes services that are discrete programs, that accomplish well-defined pieces of work on behalf of another entity, and that have a standards-based interface to accomplish the service. They can be comprised of several components and combined with business processes to build complex business applications. Services are shared resources that can be used on demand by many different applications. The following initial common business services groupings have been established:

Opportunity	Expected Business Outcomes
Account Management	Services to access or modify integrated taxpayer account information.
Workload Management	Services to control and monitor case and issue inventories in accordance with business rules and/or performance goals.
Case Management	Services required to work an individual case to resolution after it is assigned to a caseworker.
Document and Image Management	Technologies and services that support the full life cycle of electronic documents (both documents that originated in electronic text format as well as electronic images of scanned paper documents).
Workforce Management	Baseline services to effectively manage human resources with respect to employee skills, availability, training, and experience for tax administration work.
Portal Management	Services that aggregate and deliver a common entry point for access to digital assets, including content, business applications, and collaborative computing services.

Potential Future Projects and Programs – Common Business Services

The initial project in the Common Business Services area focuses on Document and Image Management.

Document Management Center of Excellence (CentEx)

The CentEx provides centralized guidance and oversight to the various IRS departments/projects that intend to deploy document management (DM) applications, ensuring the use of common document management capabilities that can be applied across projects. The primary function of CentEx is to facilitate successful deployments and ensure that all related projects adhere to a consistent set of standards and guidelines that will move the IRS toward modernized Customer Account Management and Case Management solutions.

Data, Infrastructure, and Security Services

Definition

The common services approach identified under the Common Business Services Domain also extends to technical services. The complexity of the IRS's information technology environment presents challenges which affect the development, operations, and maintenance costs of systems; the time necessary to develop and deploy new or revised capabilities; the flexibility and capability to resource development efforts; and the effective operational performance of these systems and their ability to provide the desired business results.

Four major types of services have been identified for investment over the next five years. They are:

Opportunity	Expected Business Outcomes
Data Services	Definition, organization, and access to unique and shared data stores as well as transition and target architectures to achieve the strategy.
Infrastructure Services	Common technical infrastructure capabilities (e.g., communications, transaction processing, system management, and other technical services) which are critical and relate directly to the business applications performance.
Integration Services	Interface and integration capabilities provided through the implementation of an Integration Broker, which is deployed in the technical infrastructure to create interfaces between disparate systems. This reduces complexity by reducing the number of one-of-a-kind application-to-application interfaces. These interfaces can also be implemented once and used by multiple applications, eliminating the need for redundant coding.
Security Services	Common security capabilities embedded or used by the applications and the infrastructure to protect data privacy, data integrity, access control, and other security features which are critical and related to the effective and secure performance of business applications.

Potential Future Activities – Data, Infrastructure, and Security

The following foundational activities have been initiated and are expected to result in investments for transforming and evolving the infrastructure to more effectively use data, lower costs, reduce risk, and simplify integration.

Data Strategy

This strategy will reduce both data redundancy and the amplified operational costs caused by multiple redundant and/or similar data stores. Data issues being addressed by the study include the key issue for improving strategic use of data by promoting the reduction of data redundancy, data shuffling, and reformatting for specific application usage while improving on data currency, quality, and availability.

Infrastructure Roadmap Initiative

This initiative will develop and provide the information necessary for management to make informed investment decisions regarding infrastructure.

Portal Strategy

This strategy will use portal technology providing a common user interface, user personalization, and centralized access control to enhance the user's experience while utilizing IRS resources and maintaining security and access to those resources on a need to know basis. The portal strategy is also addressing the technical refresh required in all current portals to maintain supportability, keep operational risks in an acceptable range, and contain support costs.

Enterprise Application Integration Broker (EAIB)

This project focuses on the implementation of an EAIB in order to provide a foundation for future IRS Service Oriented Architecture initiatives.

Moving Forward with the new IRS IT Modernization Vision & Strategy

Expanding the Scope

The initial MV&S version addressed six business domains and two service domains, as discussed in the previous section. It was recognized at the time that these domains did not represent the entire scope of IRS activities and expenditures. However, the limited scope was felt to be appropriate given time and resource constraints. As it matures, one of the goals of the MV&S is to fully represent the entire business scope of the IRS.

The current cycle has added one business domain (Internal Management) and split one service domain into three separate domains (data, infrastructure, and security). Of these redefined service domains, the security domain is being addressed in the current cycle. Additional refinements and extensions are anticipated for next year's cycle.

Another aspect of the MV&S scope is the funding sources and budgets that were addressed. The initial cycle dealt with Major and non-Major investments. This year, in addition to the above, the following are included: Commissioner Mandates, Legislative Mandates, and ISY-Funded – Significant Requests for Information Services (RISs). This coverage will continue to expand in future cycles; however, due to the magnitude and complexity of IT investments, it will take several years for the MV&S to mature into full coverage.

Institutionalizing the Process

Since the initial MV&S planning cycle concluded, a key focus has been the institutionalization of the MV&S activities, their integration into existing enterprise processes, and the incorporation of lessons learned from the initial cycle. Among the lessons from the initial cycle were:

- The criticality of business leadership throughout the investment process
- The need to allow sufficient time to go through the investment process and to conduct the supporting integration and analysis
- The need to increase IT involvement in the very earliest stages of formulating solution concepts and costing
- The importance of visibility and frequent guidance from IRS Executives so that the enterprise and the investment portfolio are tightly aligned
- The effectiveness of the business and service domain construct as an organizing principle for the investment process

Based on these lessons, a three stage non-Major investment process template was defined and will be used in the development of the next version. The stages are as follows:

- **Stage 1** – Focuses on validating continuing (rollover) investments for each domain and revisiting the investments that were deferred.

- **Stage 2** – Focuses on definition, costing, and integration of new proposed investments for each domain. These investments are submitted by the Business Operating Divisions based on their strategic needs and priorities.
- **Stage 3** – Takes into account adjustments, including Legislatively mandated projects, tax law changes, Commissioner’s Guidance, and the implementation of Services.

Refining the Governance Structure

Last year’s MV&S cycle saw the establishment of an Executive Advisory Board (EAB). This EAB was a subset of the Modernization Executive Governance Committee (MEGC), and functioned both to provide executive guidance for the MV&S activities and to recommend an investment portfolio to the MEGC for decision. The EAB has now been established as a permanent entity to continue fulfilling these functions. In addition, the domain-oriented Executive Steering Committees have been leveraged to not only provide oversight of development activities, but to take ownership of domain strategies. This extension of their responsibilities will ensure that an appropriate governance body has complete oversight over domain activities.

Initiating a Systematic Approach to Integration

One of the goals of the MV&S has been to define a strategy that delivers smaller and frequent incremental releases and leverages existing systems (or components of existing systems). In addition, the IRS has undertaken a phased transformation of its IT base to a Service Oriented Architecture. One of the risks of these strategies is that the number of smaller components and services, and their “inter-relatedness” to each other, increases. This necessitates a more systematic approach to integration in order to ensure that programs and projects are well defined, that potential common services and data are identified, and that impacts due to changes in scope or schedule are understood.

Conclusion

IT Modernization has not been an easy road for the IRS—there have been significant challenges and obstacles along the way. Simultaneously modernizing the business and technology environment, while keeping the IRS operating, is an extremely complex endeavor. Likewise, unraveling the interdependency among the current systems and retiring existing systems, while building modernized systems, requires a systematic and sophisticated approach to integration. The overall complexity of this challenge is growing, compounded by steadily increasing demand on tax administration services, the intricacy of tax law, and growth in the more complicated types of returns.

The IRS IT Modernization Vision & Strategy provides the guide for managing this massive effort. The critical elements—executive leadership, business-IT partnership, a deep commitment by a broad group of contributors, and an appropriate governance structure—have been solidly in place throughout the planning effort. This plan will guide our future IT strategy and have a lasting and fundamental impact on the way IT investments are formulated, defined, and selected at the IRS.

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